Review Body
on Senior Salaries

REPORT No. 36

Review of the Parliamentary Pension Scheme

Chairman: Lord Nickson, KBE, DL

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Presented to Parliament by the Lord President and Leader of the House of Commons by Command of Her Majesty
March 1995

LONDON : HMSO

Cm 2830

Foreword

Review Body on Senior Salaries

On 29 September 1994 the Review Body on Senior Salaries was invited by the Lord President of the Council and Leader of the House of Commons[1] to undertake a review of the Parliamentary Pension Scheme.

The members of the Review Body are:

The Lord Nickson, KBE, DL, *Chairman*

Professor George Bain

Sir Cecil Clothier, KCB, QC

Rosemary Day[2]

Gordon Hourston

Sir Sydney Lipworth, QC

Patricia Mann[2]

Yve Newbold

Sir Michael Perry, CBE

Mark Sheldon

Sir Anthony Wilson[2]

The Secretariat is provided by the Office of Manpower Economics.

[1]The Rt Hon Tony Newton, OBE, MP.
[2]Members of the sub-committee on parliamentary pensions, chaired by Sir Anthony Wilson.

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Chapter 1

Introduction

1. The Senior Salaries Review Body (then called the Top Salaries Review Body) conducted a thorough review of the Parliamentary Pension Scheme in 1991. We recommended, and the Government agreed, that in future we should review the Scheme regularly at the time of the Government Actuary's triennial valuations of the Parliamentary Contributory Pension Fund (PCPF). Within this context, the Lord President of the Council and Leader of the House of Commons wrote to us in September 1994 advising us that the Government Actuary had completed the bulk of the work on the valuation as at April 1993 and inviting us to undertake a review of the Scheme. The Lord President requested that we "assess whether the scheme is still in line with good current practice" but said he did not envisage our regular reviews necessarily leading to changes. A copy of his letter is included at Appendix A. A brief description of the Scheme is at Appendix B. There is an optional Supplementary Scheme for Ministers and certain paid Office-holders (whether or not Members of the House of Commons); this Scheme does not fall within our remit.

2. In addition to our recommendation for a regular review of the Scheme, our last report made recommendations which aimed to bring the parliamentary Scheme into line with good practice elsewhere, taking into account the special circumstances of a parliamentary life. The acceptance of all but one of those recommendations (see paragraph 8 below), together with the introduction of an Additional Voluntary Contribution scheme in 1994, means that the Scheme now compares favourably with most schemes in both the private and public sectors. Consequently we recommend only minor improvements in this report. In addition, it seems that some minor changes will be needed if the Scheme is to comply fully with the legislation, now before Parliament, following the 1994 White Paper "Security, Equality, Choice: The Future for Pensions"[1].

Inquiries

3. We formed a sub-committee to devote special attention to the review. In addition to considering written evidence which it invited from the Government, the Trustees of the PCPF and the Government Actuary, the sub-committee compared the parliamentary Scheme with occupational schemes elsewhere in the public and private sector. It drew upon information published in the National Association of Pension Funds' (NAPF) 1993 survey[2] and comparisons of public sector schemes provided by H.M. Treasury. It also gave careful consideration to the Government Actuary's draft valuation of the PCPF as at April 1993. In 1991 we took evidence, including oral evidence, from a wider range of interests, but we do not consider that a review in such depth is necessary every three years.

[1]Security, Equality, Choice: The Future for Pensions, HMSO, Cm 2594-1.
[2]Nineteenth Annual Survey of Occupational Pension Schemes 1993, The National Association of Pension Funds Limited.

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The Government Actuary's valuation of the PCPF

4. The Government Actuary is required by statute to make an assessment of the general financial position of the PCPF every three years. He calculates two figures: the total standard contribution and the total actual contribution. The **total standard contribution** is a long-term calculation. It shows the percentage of salary which, if paid throughout an MP's service, is estimated to be sufficient on average to provide the benefits of the Scheme including full indexation. Largely as a consequence of improvements in the benefits provided by the Scheme, the total standard contribution has increased (from 13.5 per cent in 1972 to 23.5 per cent in 1993). The **total actual contribution** is a shorter term calculation which adjusts the total standard contribution upwards or downwards for an appropriate period to take account of deficits or surpluses in the Fund. MPs pay a specified contribution, which, following our 1991 recommendation, was reduced from 9 to 6 per cent; the Exchequer pays the balance of the total actual contribution, which may be higher or lower than the MPs' contribution.

5. Following the last valuation, the residual Exchequer contribution was reduced to 6.8 per cent of pay for the period to March 2000. The Government Actuary reported that, after allowing for this, there was a small balance of £1.1 million of Scheme assets over actuarial liabilities at 1 April 1993. This is the first three-year period in which the expenditure on benefits has exceeded the contribution income, reflecting the increase in the pensions payroll and the reduction in the rate of contributions following the 1990 valuation. Expenditure nevertheless remains below the total of investment income and contributions, and the Government Actuary expects this to be the position for some years to come. The Government Actuary now believes it appropriate to extend for a further six months, until 30 September 2000, the period for which the reduced rate of Exchequer contribution of 6.8 per cent would be payable. Thereafter, he expects the Exchequer actual contribution to revert to the standard rate of 17.5 per cent. He pointed out, however, that any material improvements in benefits would lead to an increase in the total standard contribution: in consequence the Government Actuary's valuation of the Scheme at 1 April 1993 will need to be amended to take account of any recommendations made in this report which are accepted.

Financing parliamentary pensions

6. As described in paragraph 4, the total contribution required to finance the Scheme is shared between Members and the Exchequer. Under the "balance of cost" method, Members pay a specified contribution, currently 6 per cent: the residual balance, which may fluctuate, is paid by the Exchequer. In evidence this year the Trustees of the PCPF asked us to reconsider this method and suggested its replacement by a fixed ratio of 3:5 between contributions from Members and the Exchequer. The Trustees made similar representations to us in 1991. We concluded then that the balance of cost method should be retained and have not changed our view. A fixed proportion approach would mean that Members' contributions could become volatile and give rise to inequalities between generations in that a surplus or deficit relating to the contributions of Members in the past would affect the contributions of Members in the future. We see no reason to move away from the balance of cost method, which provides a stable contribution rate for Members. In the majority of schemes covered by the NAPF survey, the employer pays the balance of cost.

Scheme benefits

Widow/ers' pensions

7. The Trustees have suggested that the pension provided for widows and widowers should be increased from the existing five eighths of the deceased Member's pension to the Inland Revenue maximum permitted rate of two thirds. We do not consider this change justified. The arrangements are already more generous than those available elsewhere in the public sector, where all the major

schemes pay one half of the scheme Member's pension (see Appendix C). Looking beyond the public sector, the 1993 NAPF survey found that one half was the most common fraction of the Member's pension payable to widows and widowers.

Accrual rates

8. Our 1991 report recommended that the existing accrual rate of fiftieths, which took effect from 20 July 1983, should be applied to all service for currently sitting MPs, with appropriate augmentation for those who had been making up the shortfall voluntarily. At the time the Government was unable to accept this recommendation. We continue to believe that this would be a sensible improvement to the Scheme for sitting MPs who have service before July 1983; and that those who have paid voluntarily to upgrade their pension should be compensated with added years. We recognise that this recommendation may mean some adjustment to the contributions actually payable in the short term, but emphasise that this would be a one-off call on the PCPF. In 1991 the estimated cost of this recommendation was £3 million. It is now £2.3 million.

9. *Recommendation 1.* We again recommend that the existing accrual rate of fiftieths should be applied to all service for currently sitting MPs in respect of their future pension entitlement, with appropriate augmentation for those who have been making up the shortfall voluntarily.

Pay and Relevant Terminal Salary (RTS)

10. Evidence from the Trustees of the PCPF comments:

"One of the effects of the delay in implementing pay awards is that the RTS, used in the calculation of pensions, is reduced. This has meant that the values of recent widows'/widowers' pension and lump sum death benefits have been lower than they would have been had the pay increase not been delayed."

It is not uncommon for pay awards to be deferred or phased over a number of years. Perhaps inevitably, people who retire before full implementation feel that they have lost out on pension income which should rightfully be theirs. We understand this viewpoint but do not think it appropriate to depart from the general principle that pension is based on final salary as defined in the rules of the Scheme. During the 1970s MPs were enabled to pay contributions on a higher salary which the Government had accepted in principle but not implemented fully. MPs have a similar opportunity now, should the occasion arise, through the Additional Voluntary Contribution scheme.

11. The Trustees also commented that the pay of Members is linked to that of civil servants by Resolution of the House (November 1993). They argued that as the Principal Civil Service Pension Scheme (PCSPS) is non-contributory, other than a 1.5 per cent contribution for widow/ers' and children's benefits, MPs' salaries should be increased to take account of their 6 per cent contribution rate. MPs' salaries are beyond our remit on parliamentary pensions, and it would therefore be inappropriate for us to make any recommendation. We note, however, that the full range of pension and other benefits, terms and conditions which apply on the one hand to civil servants and on the other to MPs would need to be compared before a fair conclusion could be drawn.

Early retirement provisions and accrued pension rights

12. The Trustees suggested to us that years of service in other occupations[1] should count towards the twenty years' service in Parliament required to qualify for a full accrued pension at age 60. We believe, however, that current arrangements for early retirement remain appropriate. Occupational pension schemes do not generally permit the transfer in of service years which would enable members to qualify more quickly for early retirement. On a separate point, the Trustees also requested that

[1]Service as a Member of the Parliament of the European Communities may count towards qualifying service provided it is not concurrent with service as an MP.

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the age at which full accrued benefits become payable should be reduced to 55. We do not believe that such a reduction would be appropriate at a time when many schemes which have equalised the pension age for men and women have set it at 65 rather than 60.

Death in service benefits

13. Nearly all pension schemes provide a lump sum benefit on the death of a member in service. In the private sector three quarters of schemes surveyed by the NAPF provided lump sums of three years' pay or more. Public sector schemes are typically less generous, with lump sum payments of between one and two years' pensionable pay often dependent on service. The PCPF currently provides for a payment of twice the Member's annual salary. We believe that it would be appropriate in this case to increase the benefit to three times annual salary. The Government Actuary has estimated that this would increase the total standard contribution by about 0.5 per cent of pay, with a small additional increase to cover the cost in respect of present Members.

14. ***Recommendation 2.*** **We recommend that the death in service gratuity should be increased to three times the Member's annual salary.**

15. We note that the Supplementary Scheme, which is outside our remit, contains no provision for a death in service gratuity. We believe that this aspect of the Supplementary Scheme deserves consideration.

16. The Trustees have drawn our attention to the fact that, under existing legislation, only one individual may be nominated by a Member to receive his or her death in service gratuity. This seems unduly restrictive since many schemes allow the nomination of more than one individual, of institutions and of trusts.

17. ***Recommendation 3.*** **We recommend that the Scheme should allow Members to nominate individuals, institutions and trusts to receive the death in service gratuity.**

Interest paid on refunded contributions

18. In evidence the Trustees also asked the Review Body to consider interest paid on refunded contributions. The NAPF survey found that only 34 per cent of schemes paid interest with refunded contributions; most at a rate of less than 5 per cent. We have therefore concluded that, at 4 per cent, the present level of interest paid on refunded contributions is in line with best practice.

Forthcoming legislation

19. In our requests for written evidence we invited views on how the Parliamentary Pension Scheme matched up to proposals in the 1994 White Paper "Security, Equality, Choice: The Future for Pensions". Although the parliamentary Scheme operates under special legislation, and is not therefore affected by some provisions of the proposed legislation, it would seem anomalous if it did not meet the standards generally required. The evidence we received from the Government Actuary and the Lord President suggests that only minor changes will be needed to bring the Scheme into line with forthcoming pensions legislation. Appendix D provides a summary of this evidence. We emphasise that it is the responsibility of the Trustees and Government, and beyond our remit, to ensure compliance with the new legislation.

Dispute procedures

20. The Lord President asked us to comment on the need for a formal dispute resolution procedure. He saw this as the one significant area where the Bill might necessitate a change. The Parliamentary Pension Scheme currently has no formal dispute resolution procedure. Where questions arise Members will typically direct them first to the Fund Secretary and then, if no satisfactory answer is received, to

the Trustees themselves. We believe that this process should be formalised and a third phase added. If, having raised questions with Trustees, Members are still unhappy with the response they have received, disputes should be referred to an independent expert such as the Occupational Pensions Advisory Service (OPAS) or the Pensions Ombudsman for further advice or decision. We believe that the inclusion of an independent arbiter will not only serve to ensure that the parties are treated equitably, but will also serve to highlight instances where the Scheme may fall short of best practice.

21. ***Recommendation 4.*** **We recommend that a formal dispute resolution procedure should be established for the Parliamentary Pension Scheme involving three stages, with questions directed first to the Fund Secretary, second to the Trustees themselves and, if still unresolved, referred to an independent expert such as the Occupational Pensions Advisory Service or the Pensions Ombudsman.**

Equal treatment and Guaranteed Minimum Pensions

22. The Parliamentary Pension Scheme already provides equal benefits for men and women apart from the Guaranteed Minimum Pensions (GMPs) which are required as a condition of contracting out of the State Earnings Related Pension Scheme (SERPS). The proposed abolition of GMPs in respect of future service will mean that full pensions increases will be paid on the whole of the pension for service after April 1997. The Government Actuary told us that this would probably result in some extra cost for the Scheme. He intends to consider this in his 1996 valuation.

Conclusion

23. We commented in 1991, that if the package of recommendations we suggested then was accepted, the Parliamentary Pension Scheme would be on a sound and appropriate basis in the light of current good practice. Our review this year has confirmed this to be the case. We have identified those areas where changes are needed and made appropriate recommendations in this report. The estimated cost of these recommendations is as follows:

Recommendation 1 (the accrual rate): a one-off cost of £2.3 million; and

Recommendation 2 (the death in service gratuity): an increase in the total standard contribution of 0.5 per cent plus a small additional increase in respect of present Members.

24. The Government Actuary has said that, if the Exchequer funded these recommendations over 5½ years from 1 April 1995 to 30 September 2000 (see paragraph 5), the impact on the Exchequer contribution would be:

- for Recommendation 1, an increase from 6.8 per cent to 8.8 per cent of pay;
- for Recommendation 2, an increase from 6.8 per cent to 7.6 per cent of pay and thereafter an increase from 17.5 per cent to 18 per cent in the standard contribution rate;
- for both Recommendations, an increase from 6.8 per cent to 9.6 per cent of pay and thereafter an increase from 17.5 per cent to 18 per cent in the standard contribution rate.

The contribution rate for Members has recently been brought into line with other contributory schemes. We believe that it would be inappropriate to increase it to fund any changes flowing from this report.

Summary of recommendations

25. Our recommendations are as follows:

Recommendation 1. We again recommend that the existing accrual rate of fiftieths should be applied to all service for currently sitting MPs in respect of their future pension entitlement, with appropriate augmentation for those who have been making up the shortfall voluntarily (paragraph 9).

Recommendation 2. We recommend that the death in service gratuity should be increased to three times the Member's annual salary (paragraph 14).

Recommendation 3. We recommend that the Scheme should allow Members to nominate individuals, institutions and trusts to receive the death in service gratuity (paragraph 17).

Recommendation 4. We recommend that a formal dispute resolution procedure should be established for the Parliamentary Pension Scheme involving three stages, with questions directed first to the Fund Secretary, second to the Trustees themselves and, if still unresolved, referred to an independent expert such as the Occupational Pensions Advisory Service or the Pensions Ombudsman (paragraph 21).

NICKSON (Chairman)
GEORGE BAIN
CECIL CLOTHIER
ROSEMARY DAY
GORDON HOURSTON
SYDNEY LIPWORTH
PATRICIA MANN
YVE NEWBOLD
MICHAEL PERRY
MARK SHELDON
ANTHONY WILSON

OFFICE OF MANPOWER ECONOMICS
1 March 1995

Appendix A

Letter from the Lord President of the Council and Leader of the House of Commons

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

29 September 1994

Dear David,

PARLIAMENTARY CONTRIBUTORY PENSION FUND

You will remember that your last Report on Parliamentary Pensions in 1991 recommended, and the Government agreed, that in future there should be a review of MPs' pensions at the time of the triennial valuations of the Parliamentary Contributory Pension Fund. The Government Actuary has now completed the bulk of the work on the valuation of the Fund as at April 1993, and I am therefore inviting you to undertake a review of the Parliamentary Pension Scheme.

In line with your recommendation, the Government would be grateful if you could assess whether the scheme is still in line with good current practice. Following the recommendations in your last report the scheme now offers, for a Member contribution of 6 per cent, a full pension after 33 1/3rd years, generous ill-health provision and 5/8th widows' pensions. It remains one of the best public service schemes and, with full indexation of pensions, compares also with the best private sector schemes. At the request of the Trustees, a scheme has just been introduced enabling Members to make additional voluntary contributions for further benefits. I will, of course, be happy to give evidence and to give full details of the current benefits. I should perhaps say at the outset that, as your last report made clear, we would not envisage your regular reviews necessarily leading to further improvements in the scheme.

In addition to any evidence from me, a draft report by the Government Actuary on the state of the Fund as at April 1993 will be available to you. The Government would intend to publish the final report along with your own, and would hope to do so before the end of this financial year.

Finally, may I express the Government's appreciation of the informed and independent advice of the Review Body in this important area.

Yours sincerely

TONY NEWTON

Lord Nickson, KBE, DL
Chairman
Senior Salaries Review Body
Office of Manpower Economics

Appendix B

Summary of parliamentary pension arrangements

General

1. A pension scheme for Members of the House of Commons was first introduced with effect from October 1964 under the Ministerial Salaries and Members' Pension Act, 1965. The scheme has been developed since then and operates under the Parliamentary Pensions Acts, 1972–1987. Ministers and other paid Office-holders in both the House of Commons and the House of Lords may also contribute to a Supplementary Pension Scheme.

Pension fund

2. The pension scheme is based on the Parliamentary Contributory Pension Fund managed by Trustees appointed by the House of Commons. The Government Actuary makes an assessment of its general financial position every three years.

Contributions

3. Members are required to contribute 6 per cent of their salaries. The Exchequer contributes at a rate recommended from time to time by the Government Actuary. This is currently equal to 6.8 per cent of MPs' salaries.

Pensionable service

4. Service for which contributions have been paid since 16 October 1964 when the scheme was introduced reckons for pension purposes. Service prior to that date for which contributions would not have been paid reckons for pension purposes up to a maximum of 10 years, provided the MP served at some time between 16 October 1964 and 1 August 1978; or up to 15 years provided the MP also served on or after 2 August 1978.

Normal and earlier retirement

5. Retirement pensions are payable from age 65 to those who are no longer MPs. Pensions may be paid before age 65 in the following circumstances:

(i) subject to medical evidence a Member may be awarded an ill-health retirement pension at any age;

(ii) an abated pension may be paid on retirement after age 50 and completion of not less than 15 years' service;

(iii) a full accrued pension may be paid from age 60, provided service as a Member of the House is not less than 20 years' duration, from age 61 provided that service is not less than 19 years' duration and so on until age 64 and not less than 16 years' service. Service as a Member of the Parliament of the European Communities may count towards qualifying service to the extent that it is not concurrent with service as an MP.

Members may commute part of their pension in exchange for a capital sum of up to one and one half times Relevant Terminal Salary if service is 20 years or more, a lesser capital sum where service is under 20 years. The widow/ers' pension is not affected by commutation.

Added years

6. A Member whose prospective pension entitlement at age 65, including any retained benefits, is less than two thirds of salary may, subject to certain conditions, purchase added years of service reckonable for pension purposes either by periodical contributions from salary or by a lump sum payment.

Additional Voluntary Contributions

7. A scheme to enable Members to increase their pensions within Inland Revenue limits by paying additional voluntary contributions was introduced in April 1994.

Pension accrual

8. Pensions accrue at the rate of one fiftieth of the Member's salary over the last 12 months prior to the date of retirement for each year (*pro rata* for part of a year) of reckonable service since 20 July 1983 and at a rate of one sixtieth before that date.

Pensions for widows, widowers and children

9. Pensions are payable to the spouses of deceased MPs, subject to prescribed conditions, normally at the rate of 5/8 of the deceased Member's pension or notional pension. In addition a children's pension equal to 1/4 is payable if there is one eligible child or 3/8 if there are two or more eligible children. The Member's notional pension in the case of death in service is calculated in the same way as retirement pension (1/60 up to 19 July 1983, 1/50 thereafter) with reckonable service enhanced to age 65 and counted at the higher accrual rate of 1/50.

Death in service benefits

10. A lump sum gratuity equal to the greater of two years' salary or total unrefunded contributions accumulated with interest from the dates of payment may be paid on the death in service of an MP to his or her nominee. In addition the spouse's and children's pensions, taken together, are augmented for the first three months up to the rate of an MP's salary at death.

Transferability

11. Transfer payments can be made from other superannuation schemes when an MP enters the parliamentary scheme, and similar payments can be made to other schemes when an MP leaves the House.

Contracting out

12. The Parliamentary Pension Scheme is contracted out of the state pension scheme.

Increases in pension

13. Adjustments to pensions arising from changes in the cost of living are made in line with RPI.

Appendix C

Benefits in public service pension schemes

	Members of Parliament	PCSPS[1]	LGSS[2]	National Health Service	Teachers	Armed Forces	Police	Fire Service
Employees' Contribution	6%	1½% for widow's & children's benefits (element in pay)	5% manual 6% non-manual	5% manual 6% non-manual	6%	NIL (element in pay)	11%	11%
Pension Age	60–65 depending on length of service	60	60–65 depending on length of service	60	60	(Officers) 37–55 depending on length of service	48–55 depending on length of service	50–55 depending on length of service
Number of years service for full pension	33⅓	40	40	40	40	(Officers) 34	30	30
Accrual Rate	1/50 of final salary per year of service (1/60 for service before July 1983)	1/80 of final salary per year of service	1/80	1/80	1/80	(Officers) 48.5% of representative pay after 34 years	1/60 for first 20 years 2/60 for additional years	1/60 for first 20 years 2/60 for additional years
Lump Sum	By commuting portion of pension	3 x pension	3 x pension	3 x pension	3 x pension	3 x pension	By commuting portion of pension	By commuting portion of pension
Death in Service Gratuity	2 x Member's annual salary	2 x pensionable pay	1–1½ x pensionable pay depending on service	2 x pensionable pay[3]	1–1½ x pensionable pay depending on service	1–1½ x pensionable pay depending on service	2 x pensionable pay	2 x pensionable pay
Widow/ers' Pension	⅝ of pre-commuted pension	½ of member's pension	½ of member's pension	½ of member's pension	½ of member's pension	½ of member's pension	½ of the pre-commuted pension	½ of the pre-commuted pension
Pension Guarantee	5 years	2 years	Up to 5 years depending on service	Up to 5 years depending on service	Up to 5 years depending on service	For death within one year a small lump sum depending on circumstances	Only in exceptional circumstances	Only in exceptional circumstances
Added Years[4]	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
AVCs[5]	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Pensions Increase in line with RPI	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

1. PCSPS—Principal Civil Service Pension Scheme.
2. LGSS—Local Government Superannuation Scheme.
3. With effect from March 1995.
4. Added Years: Extra years of reckonable service can be purchased by regular one-off contributions within Inland Revenue limits. Rules vary from scheme to scheme.
5. AVCs: Each scheme has a separate Additional Voluntary Contribution (AVC) scheme allowing members to pay extra contributions, within Inland Revenue limits, towards additional pension benefits.

Appendix D

The PCPF and the current Pensions Bill

The White Paper "Security, Equality, Choice: The Future for Pensions"[1] presented to Parliament in June 1994, set out the Government's plans for legislation to provide greater security for pension scheme members following the report of the Pension Law Review Committee (PLRC). Since then a Bill has been put before Parliament. The table below summarises the evidence we received on how well the current provisions of the Parliamentary Contributory Pension Fund match up to the standards prescribed for pensions schemes in the Bill.

White Paper paragraph reference	Requirement	Current PCPF provisions
Trustees 1.16	The responsibilities of employers and trustees will be clarified.	The responsibilities of all parties are already set out in the legislation governing the Scheme.
Investment of funds 1.17, 1.18, 1.19	Trustees will be responsible for the investment policy of their scheme. Schemes will be permitted to invest only 5% of their assets in the parent company, and loans and other financial assistance to the sponsoring employer will be prohibited. The standards set for administering funds will be tightened and will reinforce the need for separation between the assets of the fund and those of the employer.	PCPF Trustees are already responsible for the investment of the Scheme's fund. The measures relating to self investment and to separation of the assets of the fund from those of the employer are not relevant to the PCPF.
Scheme solvency 1.20	A minimum solvency requirement should be introduced.	PCPF assets are held in Trust and the Scheme's liabilities and assets are valued every 3 years by the Government Actuary who recommends an Exchequer contribution level designed to return the fund to a zero balance over the funding period. The ability of the Exchequer to pay the contribution required to return the Scheme to balance is not in doubt. Proposals for minimum solvency standards for trust based schemes generally will not therefore affect the PCPF.

[1]Security, Equality, Choice: The Future for Pensions, HMSO, Cm 2594-1.

White Paper paragraph reference	Requirement	Current PCPF provisions
Scheme management 1.25	There will be a general tightening up of scheme management and administrative arrangements. It will be made quite clear that the trustee board is the responsible body and there will be strict rules on the fitness of individuals to act as pension fund trustees. Controls will be introduced to ensure that funds are secure. Trustees will be required to draw up a schedule of contributions with the employer and to monitor accurate and timely payment. There will be a duty to keep proper books and records.	The management and administrative arrangements of the PCPF already meet the standard.
Member trustees 1.27	Members will have the right to select at least one third of member trustees.	All the Managing Trustees of the PCPF are Members of the Scheme.
Information for members 1.28	Schemes will be required to provide information explaining rules and benefits. Members will be able to request annual benefit statements and other information. Schemes will be encouraged to consolidate their trust deed or rules, so that they form one document, at least once every 5 years.	The PCPF already provides the information required. Scheme regulations were consolidated in December 1993.
Disputes 1.30	Schemes will be required to set up a formal internal dispute resolution procedure to consider, and wherever possible resolve, members' complaints. Where internal resolution fails members will continue to be able to refer cases to the Occupational Pensions Advisory Service or to the Pensions Ombudsman.	The PCPF has no formal dispute resolution procedure. Members and pensioners refer any question to the Fund Secretary and if not satisfied with the reply can ask the Trustees to consider the matter.
Benefits when the scheme winds up 1.31	Each member will on wind-up actually receive the value of the cash equivalent of their accrued rights. Remaining assets will then be allocated according to the priority rules of the scheme.	The PCPF was set up in primary legislation. No arrangements were made for winding up the Scheme at some future date. Further legislation would be required to do this.

White Paper paragraph reference	Requirement	Current PCPF provisions
Transfer values 1.32	There will be a requirement for transfer values to be calculated on a basis which is no less favourable to the early leaver than that used in assessing the minimum solvency of the scheme. Schemes should be encouraged to include discretionary benefits when calculating transfer values.	PCPF transfer values are calculated on the basis of advice from the Government Actuary. There are no discretionary benefits which might affect the calculation of a transfer value.
Indexation 1.33	For early leavers the existing requirement will remain for salary related schemes to revalue benefits at least in line with prices up to 5% a year over the period of the deferment. Schemes will have to index the whole of any pensions earned after the effective date of the new legislation in line with prices up to 5% a year.	All pensions and deferred pensions are fully indexed in line with the RPI.
Equality 2.1	Rulings made by the European Court of Justice mean that occupational pensions must be equal for men and women in respect of service from 17 May 1990.	The PCPF already provides equal benefits for men and women apart from the Guaranteed Minimum Pensions which are required as a condition of contracting out of the State Earnings Related Pension Scheme.
Choice 3.1 –3.10	The Government believes that people should be able to plan for their retirement in the way which best suits their needs. The White Paper proposes that age related rebates should be introduced for contracted-out money purchase schemes and for appropriate personal pension schemes.	The measures in the White Paper which are designed to extend choice in pension provision will be available to MPs who may choose not to join the PCPF.

Appendix E

Previous Review Body Reports on Parliamentary Matters

First Report:	Ministers of the Crown and Members of Parliament.	Cmnd. 4836, December 1971
No. 5:	Members of Parliament: Allowances.	Cmnd. 5701, July 1974
No. 7:	Ministers of the Crown and Members of Parliament and the Peers' expenses allowance: Part I	Cmnd. 6136, July 1975
No. 8:	Ministers of the Crown and Members of Parliament and the Peers' expenses allowance: Part II	Cmnd. 6574, July 1976
No. 9:	Ministers of the Crown and Members of Parliament and the Peers' expenses allowance: Part III	Cmnd. 6749, March 1977
No. 12:	Ministers of the Crown and Members of Parliament and the Peers' expenses allowance: Part I	Cmnd. 7598, June 1979
No. 13:	Ministers of the Crown and Members of Parliament and the Peers' expenses allowance: Part II	Cmnd. 7825, February 1980
No. 15:	Ministers of the Crown and Members of Parliament and the Peers' expenses allowance.	Cmnd. 7953, July 1980
No. 17:	Ministers of the Crown and Members of Parliament and the Peers' expenses allowance.	Cmnd. 8244, May 1981
No. 20:	Review of Parliamentary Pay and Allowances: Volumes I & II	Cmnd. 8881, May 1983
No. 24:	Review of Parliamentary Allowances: Volumes I & II	Cm 131, April 1987
No. 26:	Review of Aspects of the Parliamentary Pension Scheme and Other Matters.	Cm 362, May 1988
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ISBN 0-10-128302-4

9 780101 283021

Printed in the United Kingdom by HMSO
Dd 0509930 C17 3/95 3260871 19542

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